

DELAWARE ECONOMIC DEVELOPMENT OFFICE



FY 2008 ANNUAL REPORT



OUR MISSION

The mission of the Delaware Economic Development Office (DEDO) is to be responsible for attracting new investors and businesses to the State, for promoting the expansion of existing industry, for assisting small and minority-owned businesses, for promoting and developing tourism, and for creating new and improved employment opportunities for all citizens in Delaware.

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FROM THE DIRECTOR

FY 2008 was an active year for the Delaware Economic Development Office. DEDO's cluster strategy, the continued implementation of Governor Ruth Ann Minner's New Economy Initiative, and strong support for economic development provided by the state Legislature continued to benefit the citizens of Delaware in FY 08.

One of the Delaware Economic Development Office's longer-term investments came to a successful conclusion during FY 08 with the completion of the AstraZeneca headquarters/Blue Ball Properties Project. The project began nearly a decade ago when the state invested \$40.7 million in grants and tax credits to support AstraZeneca's relocation to northern New Castle County. At the time of relocation, the overall benefit to Delaware was estimated to reach \$50 million. Today, **AstraZeneca** contributes over \$637 million toward Delaware's GDP. AstraZeneca is now Delaware's fifth largest private sector employer and is the second largest contributor of total wages paid to the state.

DEDO assisted dozens of other employers throughout the state in FY 08 including **Rite Tech Aerospace**, which opened its only East Coast facility in Bridgeville to provide engineering services to aerospace and aviation companies. DEDO awarded Rite Tech \$125,000 in a grant and loan, which is expected to create nine new jobs with plans to expand the total head count to 29.

Likewise, **Kraft Foods** will add 40 new sustainable wage jobs by expanding the company's production lines at its Dover manufacturing facility. The expansion was made possible by a New Economy Initiative Competitiveness Fund grant of \$708,000 awarded to Kraft Foods to help offset needed capital expenditures.

Internet technology company, **HostMySite.com**, announced it will continue to expand its offices in Delaware, creating 5 new high-wage jobs over the next three years. DEDO awarded HostMySite.com a Strategic Fund Grant of \$274,000 to enable the company to purchase generators required for the expansion. The investment will generate an additional economic impact of \$3.5 million, bringing the company's total economic impact to more than \$16.5 million annually.

In August 2008, **Abacalab, Inc.**, a technology-based start-up company in Wilmington, was awarded a

Delaware Technology-Based Seed Fund loan in the amount of \$50,000. Abacalab will now be able to fund additional promotional and sales activities, which are expected to drive long-term growth of company revenues and lead to more expansion into new product areas in 2009. This expansion will result in the creation of at least three full-time jobs in Delaware.

The state Legislature also demonstrated its strong support for job growth in Delaware in 2008 with the passage of Senate Bill 213, which eliminated tax issues that were limiting the growth of asset management companies in the state. As a result, **BlackRock**, one of the world's most successful asset management companies, plans to add at least 300 new employees at the company's Wilmington facility from now through 2010.

On May 22, 2008, all of our hard work came into the international spotlight as the Delaware Economic Development Office was officially recognized as the second state economic development organization in the nation and one of only 23 organizations in the world to attain accreditation from the International Economic Development Council.

Our many successes throughout FY 2008 can be attributed to a versatile and dynamic economic development model, strong support from Governor Minner and the state Legislature, and a talented, dedicated staff at DEDO. Every professional at DEDO is a catalyst for positive change. It is through their efforts that DEDO has become an organization that is known for innovation and embracing change. DEDO is prepared to forge ahead – as evidenced by DEDO's international accreditation. Our success directly benefits the people of Delaware and we look forward to many more achievements in the years ahead.

Sincerely,

Judy McKinney-Cherry
Director



*Hon. Judy McKinney-Cherry
Director*

Delaware Is Top-Ranked for Business

Delaware is renowned for its pro-business climate and is often referred to as the “corporate capital of the world,” as more than 60 percent of Fortune 500 companies are incorporated in Delaware. Our top national rankings continued during FY 08 and demonstrate why so many companies call Delaware home.

Milken Institute – 2008 State Technology and Science Index:

- #1 – IPO proceeds as a percentage of state GDP
- #1 – Doctoral scientists per 100,000 population
- #2 – Doctoral engineers
- #4 – Recent PhD’s
- #7 – Technology and science workforce (up from 29th in 2004)
- #10 – Human capital (up from 13th in 2004)
- #12 – R&D inputs (up from 14th in 2004)

U.S. Chamber of Commerce – 2008 Best Legal Environment for Business:

- #1 – Delaware (7th consecutive year)

CNBC – 2008 America’s Top States for Business:

- #1 – Business friendliness

Forbes magazine – 2008 Best States for Business Costs:

- #3 – Cost of labor, energy, and taxes

Business Expansion magazine – 2008 Rankings Report:

- #2 – Best sales tax climate for business
- #6 – Highest employment concentration – research, testing, medical laboratories, drugs and pharmaceuticals (MSA)
- #9 – Best overall tax climate for business

Tax Foundation – 2008 State Business Tax Climate Index:

- #2 – State tax
- #7 – Unemployment insurance tax
- #9 – Overall tax climate

Moody’s, S&P, Fitch Ratings – 2008 Bond Rating:

- AAA – Delaware (12th consecutive cycle)

Kauffman Foundation – 2007 State New Economy Index:

- #1 – Industry R&D investment
- #1 – High-wage traded service jobs
- #2 – Globalization
- #2 – Gazelle jobs
- #4 – Innovation capacity
- #7 – Overall transformation to a new economy
- #8 – Knowledge jobs

Corporation for Enterprise Development – 2007 Development Report Card for the States:

- AAA – Performance, business vitality, development capacity (one of only 2 states to achieve this ranking)
- #1 – Initial public offerings

2007 Michigan Entrepreneurship Scorecard:

- #1 – University spinout business
- #3 – Entrepreneurial programs
- #3 – Small business research innovation funding rate

DEDO's Industry Clusters

Automotive/Aviation and Plastics Manufacturing and Related Industries

Aviation and plastics manufacturing operations in Delaware continued to grow in FY 08, while the export automobile business at the Port of Wilmington set a quarterly record for volume.

Through the first four months of 2008, the **General Motors** Wilmington Boxwood Assembly Plant produced 7,724 vehicles. Two shifts produced the Pontiac Solstice, Saturn Sky, turbo charged GXP versions, and, for export, the Opel GT Roadster and the Daewoo G2X.

Lieutenant Governor John Carney and representatives from DEDO met with GM in Detroit, Michigan, in January 2008 to discuss opportunities for a new vehicle platform for Boxwood, as, currently, no new automotive products are planned after 2012. DEDO continues to be actively engaged with General Motors to encourage the allocation of a new vehicle platform to its Wilmington plant.

Chrysler LLC continued its strategy to become a smaller automotive manufacturer in relation to its decreased market share. Although the Newark Assembly Plant is scheduled to be idled in late 2009, the State of Delaware continues to explore ways to keep the assembly plant operational, including proactively contacting other auto manufacturers to survey interest in the assembly plant.

In addition to the gasoline versions of the Chrysler Aspen and Dodge Durango, hybrid versions of both vehicles are being produced for the 2009 model year at the Newark plant. Chrysler partnered with General Motors and BMW to design and produce a two-mode hybrid transmission. The new hybrid vehicles are expected to have 20 to 25 percent fuel efficiency than "gasoline only" versions.

Delaware's associated Automotive, Plastics, and Aviation companies continue to move forward with projects and new contracts on their own and with assistance provided by DEDO. Following are a few of the most recent highlights from the cluster.

- **AutoPort:** AutoPort, a full-service automotive processing and modification facility, has entered into a cost sharing agreement with the Port of



Wilmington and Norfolk Southern for a \$4.5 million rail improvement project. The project is expected to increase the daily rail capacity to 90 rail cars (900 to 1,350 vehicles). General Motors is the primary client for AutoPort. Working with the Port of Wilmington, AutoPort processes vehicles and modifies them for export to the Middle East.

- **Port of Wilmington:** On March 12, 2008, the Port of Wilmington and AutoPort hosted the General Motors Global Supplier Council. The event was held to discuss possible new GM business opportunities for the Port and AutoPort. The Port of Wilmington remains GM's #1 export hub to the Middle East. A record number of 25,000 GM vehicles were processed through the Port during the fourth quarter of 2007. Two new RoRo (roll-on: roll-off) service contracts were awarded to the Port for used vehicles destined for West Africa. The Port has undertaken an \$11.5 million refurbishing of Berth 4 with assistance from the State.
- **Negri Bossi USA:** Negri Bossi USA is the sales and service office of one of Europe's most established plastic injection molding machine companies. In July 2008, it moved to an expanded facility in Delaware. At the new facility, Negri Bossi USA will perform light manufacturing work on plastic injection molding machines received from its parent company in Italy.
- **Rite Tech Aerospace:** Rite Tech Aerospace opened its only East Coast facility in Bridgeville to provide engineering services to aerospace and aviation companies. DEDO awarded the company \$125,000, which is helping to create 9 new jobs with median salaries of over \$90,000. The company plans to expand to 29 total staff members as new business contracts are secured.
- **Kraft Foods:** Kraft Foods will add 40 new sustainable wage jobs by expanding the company's production lines at its Dover manufacturing facility. The expansion was made possible by a New Economy Initiative Competitiveness Fund grant of \$708,000 awarded during FY 08.

Plastics Technician Certification Training Program:

Working with Delaware Technical and Community College, DEDO helped facilitate the development of the certificate program for employees of Delaware-based plastics-related companies through our Workforce Training Assistance program.

- **Aviation Industry Learning Laboratory:** During FY 08, DEDO worked with **PATS Aircraft** and Sussex County to help facilitate the establishment of an FAA-approved Airframe and Power Plant Maintenance Technician Learning Laboratory. The facility is located at the Sussex County Airport and has received a federal grant to pay for the necessary tooling for training. The training program will prepare students to take the FAA certification examinations needed by entry-level airframe maintenance technicians. Workforce training assistance will be provided to PATS Aircraft for a lean manufacturing training program. DEDO has partnered with the company on its journey to become the world leader in the industry.

- **Vehicle to Grid (V2G):** DEDO has facilitated a \$730,000 federal earmark grant to support a V2G Demonstration Project at the University of Delaware, College of Marine and Earth Studies. The grant will be used to demonstrate the viability of V2G as a substitute for traditional gasoline vehicles. Plug-in electric vehicles capable of enabling the purchase and sale of electric from the power grid will initially be purchased from A.C. Propulsion in California. To date, a V2G vehicle has successfully received a wireless signal from Delmarva Power (while plugged in) to charge its batteries and to send electricity back to the power grid.

- **LyondellBasell:** On December 20, 2007, Basell AF and Lyondell Chemical Company completed a merger of the two businesses, creating LyondellBasell, the world's third-largest independent chemical company. LyondellBasell is a global leader in polyolefin technology, production and marketing. In May 2007, Basell USA announced plans to relocate its North American Headquarters from Elkton, Maryland to a new "fit for purpose" facility in Wilmington.

- **Plasticconcentrates:** The company has expanded its operations to Smyrna, Delaware. DEDO is currently working with Plasticconcentrates to consolidate its Smyrna and Chester, PA, operations into one building in Delaware. The company adds concentrated

color to engineered plastic resin for major plastics manufacturers such as PolyOne and GEHR Plastics.

- **Quantum Polymers:** The company, which manufactures high quality plastic rods and sheets for use in industrial operations, is expected to expand from 10 to 25 employees within two years. A suitable Delaware location has been identified and the lease contract negotiations are underway.
- **Dassault Falcon Jet:** During FY 08, Dassault Falcon Jet, located at the New Castle Airport began evaluating a major expansion of its aircraft completion business. The company may expand its physical footprint at the airport by approximately 300,000 square feet and hire an additional 600 to 700 new employees over a three-year period if the expansion moves forward. DEDO is actively working with Dassault to encourage the expansion project in Delaware. In addition, DEDO has assisted Dassault Falcon Jet to develop a pre-employment basic Sheet Metal Training Program.
- **Aviation Thrust Systems:** Aviation Thrust Systems is a start-up aviation component manufacturer with plans to manufacture high performance thrust reversers for business jets and other narrow bodied jet aircraft. During FY 08, DEDO received a detailed business plan for the proposed business and is working with the company to determine what is needed to start their business in Delaware.

Biotechnology and Life Sciences

Since 2001, the Biotechnology and Life Sciences cluster employment has increased by 27% and the GDP contribution made by firms in the cluster has increased by \$641.4

million. Delaware's highly skilled workforce, public/private partnerships, and focus on R&D investment make the State very attractive for biotechnology business location. DEDO worked with biotechnology businesses, from the largest companies to the smallest start-ups, to grow this industry cluster in 2008.



DEDO engaged the following prospects during FY 08:

- **PDS Biotechnology:** DEDO has worked with this small start-up company since the December 2007 Early Stage East's Bio-Life-Tech conference, which we co-sponsored. PDS Biotechnology, a biopharmaceutical company focusing on immunotherapies for the treatment of cancer and infectious diseases, is currently located in Ohio and was recently approved by Delaware's Council on Development Finance and DEDA's Pre-Venture Review Committee as an eligible recipient of Pre-Venture funding.
- **ITI:** At the Bio-Life-Tech conference, DEDO also struck up a relationship with this small, start-up biotechnology company which focuses on DNA vaccine development. As of October 2008, DEDO's Capital Resources unit is implementing the financial review and due diligence process for presentation to the Pre-Venture Review Committee and, subsequently, to the Council on Development Finance as the second potential investment for the Pre-Venture Fund.

DEDO also provided business financing to existing biotechnology companies to help support their continued growth in the state.

- **AstraZeneca:** One of the Delaware Economic Development Office's longer-term investments came to a successful completion during FY 08 with the completion of the AstraZeneca headquarters/Blue Ball Properties Project. The project began nearly a decade ago when the state invested \$40.7 million in grants and tax credits to support AstraZeneca's relocation to northern New Castle County. At the time of relocation, the overall benefit to Delaware was estimated to reach \$50 million. Today, AstraZeneca contributes over \$637 million toward Delaware's GDP and is Delaware's fifth largest private sector employer and second largest contributor of total wages paid to the state.
- **Adesis, Inc.:** The Delaware Economic Development Office awarded Adesis a performance-based grant of \$90,000 and a loan of \$500,000 from the Delaware Strategic Fund to assist the company in expanding its existing laboratory space and scientific base. The investment will create 23 new high-wage jobs by 2010. Adesis is a contract research organization serving the pharmaceutical and biopharmaceutical industry.

Adesis currently employs 50 people and makes a direct contribution of \$6.8 million to Delaware's Gross Domestic Product.

- During the year, the Bio cluster continued to work with and provide business financing to, **Fraunhofer** and **Animedix**. In addition, a big victory was scored with **Isogen** (see Health Sciences later in this report).
- **Wilmington PharmaTech:** Wilmington PharmaTech was awarded state funding through the Matching Strategic Fund Loan to purchase new equipment and construct lab space. The company also received funds from Citizens Bank through the state matching partnership program called the Citizens Business Bank.

The state's efforts to grow and nurture biotechnology were noted in a new bioscience report issued by *BIO—Biotechnology Industry Organization, Battelle*.

- Delaware was ranked second in the U.S. for per capita patent development.
- Delaware was also singled out for its above average employment in the medical device and equipment industry as well research, testing and medical laboratories.
- Finally, Delaware's efforts to open specialized science and math high schools earned recognition for "Feeding the Bioscience Pipeline."

Chemistry and Advanced Materials

Delaware's Chemistry cluster recorded a number of economic development wins during the year. Following is an overview of some of the growth in the cluster.



- **FMC Biopolymers** will invest nearly \$8 million to upgrade its Newark site after selecting the site over foreign-based facilities. The capital investment will be used for upgraded machinery and processes.
- **Abacalab, Inc.**, a technology-based start-up company in Wilmington, was awarded a Delaware

Technology-Based Seed Fund loan in the amount of \$50,000. Abacalab will now be able to fund additional promotional and sales activities, which are expected to drive long-term growth of company revenues and lead to more expansion into new product areas in 2009. This expansion will result in the creation of at least three full-time jobs in Delaware.

- **Corn Products** retained its research and development, front office support, and applications lab tech center in Delaware after demonstrating fiscal responsibility to their corporate offices in Illinois, preserving at least 20 sustainable wage jobs. A ribbon-cutting event with Governor Minner was held at the facility in July 2008.
- Blue Collar Training Funds were used by **Analtech**, **Dow Reichhold**, **Graver Technologies**, and **Rath** to introduce employees to new skills and processes to help them in their daily activities.

Despite a few industry challenges caused by a volatile marketplace and increasing global competition, other positive activities are in progress:

- **Perastic** is a start-up company that has set up shop in New Castle. The company is working on a proof of concept in thermoplastic polymer alloys.
- **Spectrum Magnetics** received a matched SBIR Phase II bridge grant to assist in the design, development, and manufacture of novel magnetodielectric materials. This start-up company is looking for new lab space and ways to promote their advanced materials.
- **Intrinergy** is a Virginia-based firm that is looking to establish their advanced gasification technology to convert biomass and unused carbon sources into usable energy by establishing a co-gen facility in Delaware.
- **Delaware Diamond Knives**, a small New Castle company, is looking to expand into a second business line using chemical vapor deposition. They have connected with DEDO's Capital Resources Center of Excellence to review funding opportunities and are looking at SBIR opportunities.

Cluster companies remain interested in promoting science and education. This year several cluster companies participated in the Invention Convention to

showcase what real scientists and engineers do on a daily basis. Companies also participated in two large events aimed toward children: a half-day Chemistry for Kids event and a half-day family science adventure open house for all grade levels. A national poster contest for students in kindergarten through grade 12 was also promoted locally.

Financial Services

Despite national trends, during FY 08 Delaware's banking and financial services companies have largely been spared some of the layoffs that are occurring elsewhere in this industry.



We continue to take steps to ensure the health and vigor of our financial services businesses and to expand business in this cluster. During FY 08, Governor Minner signed into law Senate Bill 213, which eliminated tax issues that were limiting the growth of asset management companies in the State. **BlackRock, Inc.**, one of the world's most successful asset management companies, now plans to add at least 300 new employees at the company's Wilmington facility by 2010. BlackRock currently has 300 employees at its facility and contributed more than \$23 million to Delaware's economy in 2007.

We have witnessed the negative consequences from the 2007 changes in federal policy affecting the finance of student loans with one of Delaware's private loan placement companies. Unable to sustain sufficient margins, the company had to reduce number of its employees. The effect of the federal policy on student loans were not limited to Delaware companies and the repercussions are only now being recognized by the federal government.

With the tightening of credit policy, the credit card companies are bracing themselves for meeting possible 'fall-out' from federal intervention that may restrict the practices (charges, fees and billing cycles) of banks and financial institutions issuing credit cards.

During FY 08, we continued to support the Delaware Captive Insurance Association through assistance with up-to-date materials for its national conferences.

At the outset of FY 09, Delaware's reputation as a world renowned location for financial institutions remains strong to attract new businesses to Delaware.

Health Sciences and Medical Device

Members of Delaware's Health Sciences cluster are working together to help the state identify the needs of existing businesses and better position itself for additional growth. A report of the status of the industry from the cluster members' perspective and recommendations has been released and may be viewed at www.dedo.delaware.gov/DEHSC2008.pdf.

During FY 08, much of the growth in the cluster came from expansion, such as **Dentsply Caulk's** recent acquisition of a small New Jersey company that has created the addition of 20 jobs at its Milford site, along with new products that have been assigned to this location. Additional economic growth is occurring statewide through hospital expansions including Beebe Medical Center, Bayhealth and Christiana Care.

Christiana Care's ongoing effort in research and clinical trials continues to serve as a catalyst for new clinical trials with a primary focus on cancer and heart disease, which results in positive outcomes: new jobs, increased research-based technology, international recognition of Delaware's leadership role within the Health Sciences industry, and improved patient mortality and morbidity outcomes.

Additional highlights in the Health Sciences cluster from FY 08 include:

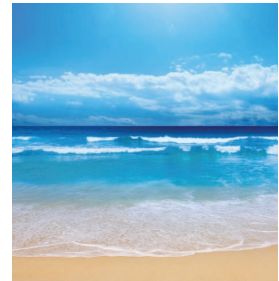
- **Isogen:** DEDO is finalizing this business opportunity, which will result in a \$125 million capital investment within the State of Delaware and approximately 140 new jobs paying above \$80,000. This facility will perform aseptic processing and manufacturing for health science and pharmaceutical companies, with a niche market focus on small batch processing that enhances the FDA approval process and improves the "time to market" for new drugs and vaccines.
- **City of Milford:** DEDO is exploring the rezoning of a 200-acre site, known as Isaac's Farm, to enable its use for medical institutions and/or medical research facilities. A collaborative effort between the Research Department at Delaware State University and the

developers will be a major step toward building a medical research park on the site.

- **Adesis** has added 20 new jobs paying over \$90,000 each as a result of financial investments of a \$500,000 performance-based loan and a \$90,000 performance-based grant to increase analytical capabilities and laboratory space.
- **Expirec:** DEDO is actively recruiting this start-up business venture. It will serve a unique niche in the Pharmaceutical Services industry as a clinical trial material (CTM) vendor versus the more commonly known contract research organization (CRO). This CTM will be a global, contract pharmaceutical clinical trial material service provider, through the management of the clinical trial supply and distribution. It is anticipated that Expirec will bring 150 jobs paying over \$50,000.

Tourism

During the last fiscal year, more than 8.1 million visitors vacationed on Delaware's beaches, attended conferences, stayed in our hotels and visited our other attractions. Tourism now contributes about \$1.5 billion to the state's economy.



The Tourism cluster's main successes for the year included the following:

- **2008 National TV: Winterthur – Point To Point:** Delaware's tourism industry provided financial assistance for extended televised coverage of this year's event. This coincided with the 30th anniversary of the races. The televised program aired on national cable network Verses. The program included interviews from business leaders as well as vignettes of other Delaware attractions to advertise the state's many tourism attractions as well as its status as a business-friendly state, which supports economic development.
- **Launch of 'First Night Free' campaign:** This advertising campaign was spearheaded by DEDO's Marketing unit. The campaign successfully resulted in renewed interest in Delaware's hotels and stemmed the tide of declining occupancy rates.

- **2008 National TV: Corrigan Sports:** DEDO recruited Corrigan Sports Enterprises, a leading sports event and marketing company in the Mid-Atlantic region, to host the first Dewey Beach Sports Festival, a weekend event held in June 2008 at the Dickinson Street Beach. The festival featured the Toyota Pro Beach East Volleyball Tour and Skim USA Amateur Competition. This TV special will air in late 2008 both nationally and internationally on Planet X (as a Planet X TV special). Planet X has a total reach of 80 million TV homes via broadcast, cable and satellite TV outlets. It is expected that this program will increase the tourism shoulder season in the southern part of Delaware as well as increase the appeal of the area to young professionals.

Other activities have focused on business recruitment, tourism niche market development, and event development. The main results include:

- **Eco-Tourism and Heritage Tourism:** The recommendation for these two committees is to continue to meet to help develop new tour itineraries and develop a statewide brochure promoting their respective niche markets.
- **Synapse Sports Girls Lacrosse Tournament:** Discussions have taken place with Synapse Sports at Kirkwood Soccer Club in New Castle about bringing to Delaware a national girls lacrosse tournament. Synapse Sports has entered into an agreement with Kirkwood Soccer Club to bring the event here on an annual basis, bringing 100 teams to the area in late July 2009.
- **Golf Digest Magazine:** We are in discussion to develop a strategy that combines a CEO/Executive Forum with a golf tournament. In the forum, we would provide information about Delaware business (incorporation, corporate law, corporate governance, relocating business, etc.). Golf Digest produces a Top CEO Golfer's List every two years and we are trying to leverage this list to create the business event/golf tournament that would attract these decision-makers to Delaware.
- **Delaware Tourism E-Newsletter** – The DEDO Marketing Unit successfully launched a new quarterly tourism e-newsletter.

DEDO's Centers of Excellence

Capital Resources

Through its Capital Resources Center, DEDO supports Delaware's industry clusters and provides financial assistance, advice and viability reviews. The Center offers assistance in seed-stage equity investments, low-interest loans, tax-exempt bond financing, and performance, relocation and Brownfield development grants.



Capital resources available to qualified companies include the Delaware Strategic Fund, the Competitiveness Fund, the Pre-Venture Fund, the Venture Capital Investment and the Technology-Based Seed Fund. In addition, Capital Resources also manages DEDA's tax exempt bond issues, the Clean Energy Center Partnership with the University of Delaware and Delaware State University, and the VOx and NOC emissions reduction credit bank.

Capital Resources specifically supports Delaware's small businesses through the Capital Access Program allowing small and minority businesses to obtain capital through an insurance program administered by the Capital Resources Center. Other funding programs included loans for businesses that have suffered through extreme weather conditions and the Small Business Innovative Research (SBIR) Bridge Grant program. During FY 08, three companies received a total of \$150,000 in SBIR grants. These companies include **Applied Diamond, Inc.**, **Quantum Leap** and **Spectrum Magnetics, Inc.** Nineteen companies received funding through the Capital Access Program for a total of \$1,043,900. The smallest loan was for \$2,500 and the largest loan amount was for \$175,000. A total of eight businesses were minority-owned, including four owned by women.

The Delaware Strategic Fund awarded two loans during FY 08, totaling \$600,000. Of the loans, \$500,000 was awarded in New Castle County and \$100,000 was awarded in Sussex County. Delaware Strategic Fund grants totaled \$6,340,916 in New Castle County, \$25,000 in Sussex County and \$345,359 in multi-county projects for a total of \$6,711,275. The total amount awarded from the Delaware Strategic Fund in FY 08 was \$7,261,275.

During FY 08, the Competitiveness Fund loans or grants awarded were \$1,676,000 in Sussex County and \$708,000 in Kent County for a total of \$2,384,000.

DEDO launched the Technology-Based Seed Fund program to foster high-wage, fast-growing small businesses in technology fields such as biotechnology, advanced materials, clean energy, information technology, and new chemical applications. The Technology-Based Seed Fund awarded one project for \$50,000 for a company in New Castle County. We received eleven business plans for Tech-Based Seed funding of which the board approved one.

During FY 08, the newly-created Pre-Venture Fund Board reviewed five venture capital investments and approved one. PDS, a cutting edge cancer drug development company, was approved for a \$500,000 equity investment.

DEDA issued \$157,065,000 in Industrial Revenue Bonds during the fiscal year, of which \$102,585,000 were refundings. \$22,585,000 in bonds was issued in New Castle County and \$54,480,000 in Kent County.

DEDO expanded the partnership with Citizens Bank that was originally created in Fiscal Year 2004 to match key components of Governor Minner's New Economy Initiative including the Competitiveness Fund, Strategic Fund and the Technology-Based Seed Fund programs. Citizens Bank has contributed an additional \$5 million above its Fiscal Year 2004 commitment of \$14.5 million and will match financial assistance awards from the Delaware Strategic Fund as well as the Competitiveness Fund and the Technology-Based Seed Fund.

Infrastructure and Intergovernmental Relations

The Infrastructure and Intergovernmental Relations Center (IIR) was instrumental in the location or expansion of multiple businesses in the State of Delaware during FY 08. Over the past two years, IIR has worked on an average of 46 new locations projects per year.



IIR is the lead organization for the State's efforts to attract businesses impacted by the BRAC-related move of the C4ISR command from Fort Monmouth, New Jersey to Aberdeen, Maryland. This has included pursuing business recruitment opportunities with contractors, partnering with New Castle County and the University of Delaware in efforts to build relationships with the C4ISR command and its contractors and working with DEDO's Entrepreneur and Small Business Development Center to prepare the Delaware small business community to take advantage of the contracting opportunities presented by this move.

We assisted **Comcast** in its search for a new customer service center in Delaware during FY 08 and helped the company secure a \$266,000 Delaware Strategic Fund grant to facilitate the approximately \$28 million capital expenditure by Comcast in Newark.

The center has worked with a number of companies located in Delaware to accommodate their expansion plans, notably **Sitel** and **Kraft Foods**. Kraft received a \$708,000 Competitiveness Fund Grant to support their \$23.7 million, 40-job Dover expansion through the efforts of the IIR. Sitel worked with IIR on evaluating alternative sites for their Milford facility and considered sites outside of the State as well. This evaluation led to the decision to stay and expand at their current location.

The IIR staff also worked closely with the Automotive and Plastics market cluster leader to assist **Quantum Polymers**, which moved from New Jersey to Newark. IIR was part of the teams assembled to work on several major projects including "Disney," "Kamikaze" and "Star."

Brownfield Redevelopment was an area of success for the IIR Center with two projects approved by the Council on Development Finance: **Harper Thiel** and the new **ShopRite** center in Wilmington. The Center has worked closely with the Department of Natural Resources to help promote and facilitate the use of Brownfield properties.

The Center works with cities and counties to help them with economic development planning and land use issues. IIR staff worked with the City of Dover and Kent

County to craft the economic development portion of their new comprehensive plans. The Center is working with Sussex County to create an economic development strategic plan. IIR also has worked closely with the State Planning Office to promote economic development through the state planning plus process.

Finally, the staff also participates in the Commercial and Industrial Realtors Council, the New Castle County Economic Development Committee, the Dover Metropolitan Planning Council, the Energy Advisory Council, the Central Delaware Economic Development Council, the Open Space Council, Georgetown Economic Development Committee, Seaford Economic Development Committee and other commissions and development organizations.

Entrepreneurial and Small Business Support

During FY 08, the Entrepreneurial and Small Business Support Center, in partnership with the Small Business Development Center, the YWCA Center of Women's Entrepreneurship and the United States Small Business Administration, provided support to more than 3,379 businesses with a range of expansion, retention and start-up projects. More than 55 percent of those businesses were minority- and women-owned.



Delaware Emerging Technology Center

In October 2007, Ken Anderson was hired as the new Director of the Entrepreneurial and Small Business Support Center. On January 15, 2008, the Virtual Delaware Emerging Technology Center site went live on the World Wide Web. As of June 2008, there have been more than 462 visits to the site and 1,452 page views with 3.14 pages viewed per visit. The majority of the visits were from the United States, but there were visits from nine other countries including Iran, India and Japan. There are currently over 40 active service providers as part of the Service Provider Network on the Delaware ETC and there is an ongoing effort to add more.

The Delaware ETC is now linked to the New Castle Emerging Enterprise Center. Additionally, the Delaware Economic Development's Office Intellectual Property Business Creation Program has been linked to the Delaware ETC site and will be a core element overall to the technology transfer component of the ETC.

Intellectual Property Business Creation Program

In December 2007, DEDO issued its first license under the Delaware Intellectual Property Business Creation Program. **Streamline Industries, LLC**, acquired a non-exclusive license to two of 92 commercializable patents. With the receipt of additional patents from DuPont, the portfolio of 245 patents has continued to grow. The Center for Advanced Technology Innovation (CATI), using the sunk cost method, reports that the portfolio is conservatively valued at \$21 million to \$41.6 million.

Also in FY 2008

During FY 08, the Delaware Economic Development Office and the Small Business Development Center entered into a Memorandum of Understanding (MOU). The two parties will continue to move forward to foster small business development and increased entrepreneurial activity within Delaware and strategically throughout the region.

The Delaware Economic Development Office, in collaboration with NIST, as part of the development of the grant agreement with Delaware MEP, mutually established four additional performance metrics that will occur over the next three years. They are as follows:

1. DEMEP will aid in the facilitation of new leads to DEDO's IP Business Creation Program Director. The goal is to provide referrals on a quarterly basis of a minimum of three individuals expressing interest in creation of or development of patented technologies held within DEDO's patent portfolio.
2. DEMEP will engage manufacturers within the state in higher value-added services. These services will include A3, 3P, New Product Development Cost and Design. DEMEP will conduct one project per quarter through public offerings or at a specific client site.

3. Collectively, with the National MEP, DEMEP will introduce a scientific-based, systematic approach that guides manufacturers through a process to develop and filter ideas to determine probability in the market place. DEMEP will conduct one pilot of Eureka! Winning Ways (E!WW) workshop in the later part of 2008 and conduct one E!WW workshop each quarter in FY 09. The current success in other MEP's has been very high and the results have been beneficial to those who have experienced the new process.
4. DEMEP will coordinate the scheduling of quarterly meetings with the DEDO Director of Entrepreneurial and Small Business Support for the purpose of review/update of the status of the performance metrics associated with this agreement.

Statewide Executive Small-Business Advisory Group

The Statewide Executive Small-Business Advisory Group was formed to bring together Delaware small-business leaders from both the public and private sectors. The group has one priority: "To determine strategies for creating an entrepreneurial ecosystem throughout the State to ensure the maximum opportunities for the creation, growth and maturation of small businesses throughout the State of Delaware."

Delaware Workforce Investment Board – Small Business and Entrepreneurship Committee

As part of the Delaware Workforce Investment Board (DWIB) Strategic Planning process, a new Small Business and Entrepreneurship Committee was established that would be responsible for addressing tasks explained under the Strategic Plan document.

Base Realignment and Closure (BRAC) and Small Business

The developments at Fort Monmouth, NJ, were viewed as an opportunity for the State. The BRAC commission recommended to the Department of Defense to terminate technical functions at Fort Monmouth, NJ, and transfer them to Aberdeen Proving Ground, MD. This transition will involve 4,400 federal employees, 1,600 contractor-embedded personnel and another 1,200 off-site contractor employees. This is a clear opportunity for the Delaware-based small business community. DEDO's

Entrepreneurial and Small Business Center is working closely on this project with both DEDO's Infrastructure and Intergovernmental Relations Unit and Marketing and Communications Unit.

Downtown Delaware

In January 2008, DEDO launched Downtown Delaware, a resource center for issues involving downtown revitalization, with particular emphasis on business development, vacancy reduction, and proactive planning for selection and placement of retail goods and services in commercial business districts throughout Delaware. Downtown Delaware targets and serves several audiences: designated Delaware Main Street communities, Commercial District Affiliates statewide and small, women, and minority business owners.

1. There are now 8 designated Main Street towns, each of which implements a comprehensive program for downtown revitalization and adheres to the ten criteria of the National Trust Main Street Center. Milford is the newest town, and was officially designated by Governor Minner in January 2008. Other designated towns include Delaware City, Dover, Greater Brandywine Village (North Market Street in Wilmington), Middletown, Milford, Newark, Rehoboth Beach, and downtown Wilmington.
2. "Commercial District Affiliate" status is a new designation developed by DEDO during FY 08 for communities that chose to implement strategies specific to business development. This status affords DEDO a broader reach in assisting any community statewide with a business district to take part in training and other resources of Downtown Delaware. There are now four Commercial District Affiliates, including Bridgeville, Delmar, Harrington and Laurel. The towns of Milton and New Castle are under consideration for active participation during FY 09.
3. Finally, current and potential entrepreneurs, including small, women, and minority business and property owners statewide, are encouraged to take part in retail-related training initiatives and to contact Downtown Delaware for individualized assistance in business plan development, financing options, site location, lease negotiation, and free energy assessments as well as further referral to the Small Business Development Center.

Funding for Downtown Delaware in FY 08 included:

- An annual appropriation from state legislature (Delaware Main Street)
- Staffing and related expenses of one full-time position through DEDO, valued at \$65,000
- A USDA Rural Community Development Initiative grant of \$234,436 for a three-year timeframe which allowed DEDO to expand technical assistance to seven rural towns in Kent and Sussex Counties. These "USDA Recipient Towns" include Bridgeville, Delmar, Harrington, Laurel, Milford, Millsboro, and Milton.

In FY 08, Main Street towns reported a net gain of 21 businesses and 25 jobs, with 7 towns reporting. A total of \$5,319,350 was invested in 59 building and public improvements and 56 façade improvements, and rehabilitation projects were completed with \$774,136 private and \$33,214 in public dollars, illustrating a leverage ratio of 23:1, private to public investment. A total of 2,756 volunteer hours were logged in at these towns, valued at \$46,368.

Industry Research and Analysis

DEDO's Industry Research and Analysis Center provides expert data and analysis for customized proposals for potential company recruitment and expansion to Delaware.



In FY 08, the Research Center undertook 631 research projects, including 159 requests from DEDO's external clients and 472 from DEDO internal users. These included identifying emerging clusters, gathering relevant data, and preparing analysis and detailed reports on the plastics and the aviation industries to help attract businesses that specialize in these sectors to relocate to Delaware.

During FY 08, the Industry Research and Analysis Center conducted economic impact analyses for 70 projects. These projects included the economic impact for Project "Disney," the Health Sciences cluster and sporting events in Delaware.

Each quarter, the Research Center conducts the ACCRA (formerly "American Chamber of Commerce Researchers Association") cost of living index for Kent, New Castle and Sussex Counties. This index consists of pricing items in each location such as housing, utilities, healthcare, groceries, and miscellaneous items to obtain a composite index (average is 100.0). This data is used to compare the cost of living in Delaware and other locations across the U.S. This cost of living comparison supports the recruitment and relocation efforts by the clusters and other Centers of Excellence.

At the end of each calendar year, the Research Center prepares a Property Tax Report for Delaware. This report is a summarization of each county and municipality's taxes for unincorporated and incorporated areas. This report is available on DEDO's website.

The Research Center is enhancing its capabilities in GIS mapping and has provided DEDO users with maps of industrially zoned parcels. In addition, the center is developing systems to increase its efficiencies and the services to help track demographic and employment trends.

Also during FY 08, the Center provided an economic impact analysis of the healthcare and social assistance sector for Sussex County, a report on the cost of doing business: Delaware vs. Canada, and a detailed analysis of technology incubators; provided leads for niche markets relative to the aviation industry; prepared a detailed report on the top 200 employers segregated by manufacturing, R&D, and data centers to identify energy-intensive industries and develop a set of calculators to assist users in estimating the tax and tax credits including the New Economy Job Program tax credits.

In addition, the Center also prepared a statistical analysis of high growth industries in Delaware, updated Delaware's incentives on Council for Community and Economic Research's web site, and compiled comparative data and prepared an analysis for the BRAC project (C4ISR team) to assist in the recruitment of businesses and skilled workers to Delaware.

Finally, the Center assisted our tourism industry by preparing the 2006 Delaware Visitor Profile, which includes data on the number of visitors, their spending profiles, purposes of their trips, trip duration, and their

states of origin. The Center also prepared reports to track tourism trends (i.e., public accommodations (PAT) receipts, room occupancy, and room revenue); conducted an extensive survey of business travelers; and prepared an analysis of trends in the economy and correlated these trends with market performance of selected Delaware businesses.

Workforce Development

During FY 08, the Workforce Development Center signed 39 custom training contracts totaling \$1,054,687, which benefited 1,247 workers (61% in New Castle County, 23% in Kent County, and 15% in Sussex County). The total company match for this training was 2 to 1.



This year, an increased focus was placed on serving small businesses. Of the 39 custom training contracts:

- 22 (56%) were with small businesses.
- 18 (47%) companies received DEDO's workforce training funds for the first time.

Also in FY 2008

- The Workforce Center assisted **Hirsh Industries**, a company that had a high number of work-related injuries that needed to be reduced not only for personal safety, but also to reduce extremely high worker's compensation expenses. The Workforce Center provided Hirsh Industries with a \$29,500 grant from the Blue Collar Fund and helped coordinate a three-component safety program.

By implementing the training program, Hirsh Industries gained a 55% reduction in injuries and a 69% reduction in lost time days. As a result, Hirsh Industries experienced a 52% reduction in incurred worker's compensation expenses in just one year – and a whopping 90% reduction in expenses from the same time period in 2004.

As a result of the successful training program, the Delaware Economic Development Office was able

to help a Delaware manufacturer significantly reduce worker's compensation expenses, preserve 200 jobs and retain a solid company with the potential for future growth.

- Workforce built and maintains a database for the BRAC initiative by identifying individuals willing to relocate to Delaware who have a high level of security clearance, required degrees, and technical job experience.
- The Workforce Development Center responded to the needs of all of Delaware's industries by hiring a recruiter to heighten the out-of-state awareness of job opportunities in Delaware. In preparation for this new role within the Workforce Development Center, an action plan was developed to target those occupations in the fields of science, technology, engineering and math to aid those Delaware industries in recruiting a qualified STEM workforce.
- The Workforce Center continues to partner with the three major aerospace manufacturing companies in Delaware. Web pages on dedo.delaware.gov and an accompanying brochure were developed to highlight the industry for our recruitment efforts.
- A presentation on workforce cluster-based training was given to the members of the DBA, and an article was written and featured in the Delaware Bankers Association magazine. This new training concept outlines the opportunity for a DBA member to apply for Blue Collar Grant funds for DBA course offerings. These courses are customized to raise the transferrable skill levels of employees in the financial sectors.
- Perdue Farms in Milford and Georgetown and Mountaire Farms of Delmarva are participating in a Maintenance Mechanics Training Program. This was designed to create a Class C Certification Program for entry-level maintenance mechanic training. The program is a continuation of efforts to leverage state dollars by partnering with companies with similar needs.
- The Workforce Center successfully engaged with the Workforce Investment Board for financing and other purposes to ensure both organizations achieved common goals in workforce development.

- For the first time, on October 9 and 10, 2007, DEDO and the Delaware SHRM cosponsored the Governor's 2nd Annual Employers Recruitment, Retention, and Resources (3R) Conference and the Delaware SHRM's 9th Annual Conference. Partnering with the Delaware SHRM was a great opportunity to reach human resource professionals with important information about finding and keeping valuable employees.
- The Workforce Development Center's web pages on dedo.delaware.gov have gone through major visual changes as well as formatting changes, and more upgrades are anticipated. The main sections on the site are; Recruitment, Retention, and Resources. Other sections listed are training; education; programs available through the Center; and Aviation & Aerospace Career Opportunities. Contact links for the Center are also listed. The new formatting will help viewers find what they are looking for more efficiently.

DEDO's Administration Unit

The Administration Unit oversees all financial operations, information technology, human resources, and fulfillment services and leads office-wide initiatives. It ensures the agency complies with state laws, policies, regulations and procedures set forth by legislature and state agencies.

During FY 08, the Administration Unit made significant strides in enhancing internal operations from conducting a successful follow-up organizational assessment to attaining accreditation as a certified state economic development organization, one of only two states to be so certified. The accomplishments reported below have paved the way for the DEDO Administration Unit to embark on the next round of enhancements for FY 09 and beyond.

In FY 08, the Administration Unit successfully led a post-organizational assessment of the agency. Score results from employee surveys showed significant improvements in employee morale and performance from the prior year assessment results. The members of the DEDO Performance Improvement Team, who led this effort, were recognized through the Governor's Team Excellence program for their integral roles.

This major office-wide accomplishment combined with a very robust strategic plan played a significant role in

DEDO becoming a certified economic development organization by the International Economic Development Council (IEDC). This accreditation process measured and graded the DEDO structure against IEDC best practices. Delaware is now considered a model state for small state economic development organizations. This certification is a means of recognizing the professional excellence of economic development entities throughout North America. Governor Minner was presented this prestigious award at a ceremony with IEDC officials in May.

In August 2008, DEDO implemented a new state-of-the-art Avaya telephone system. This phone system increased our communication capacity allowing us unified messaging and tourism call center reporting capabilities. With this system the administrator can assemble daily, weekly and monthly management reports to measure our advertising ROI by region, etc. The goal of this system is to have seamless communication within and across state agencies eliminating long distance charges for those calls.

Although the State suffered budget shortfalls during the fiscal year, the agency continued to operate at optimal efficiency. The shortfall significantly impacted operations; however, every DEDO employee realized that Delaware businesses face these challenges every day. So, like the businesses we serve, we consolidated resources and improvised other ways to accomplish our mission.

During FY 09, the Administration Unit will prepare for the transition to the next administration by providing documentation specific to the programs and projects currently being administered by DEDO. The Administration Unit will continue initiating systems focusing on technology and workplace upgrades. Priority for the upcoming year will be given to the installation of a new computer server and related systems along with an office-wide emergency preparedness plan.

DEDO's Marketing and Communications Unit

The Marketing and Communications Unit oversees all internal and external marketing and communications efforts and serves as the primary promotion arm that showcases the State to prospective businesses and visitors.

The Marketing and Communications Unit was extremely active during FY 08 executing on DEDO's first-ever comprehensive marketing strategy. The Marketing Unit produced volumes of work, with over 92% of the projects outlined in the Marketing Plan completed – most of which were produced in-house. By bringing the layout and design, writing, and media buys in-house, the Marketing and Communications Unit was able to increase efficiency, reduce costs, and ensure greater consistency in DEDO's marketing efforts.

As part of the Marketing Plan, the Marketing and Communications Unit also executed a comprehensive advertising campaign for both business and tourism recruitment. Each campaign was specifically designed to drive traffic to both of DEDO's websites, dedo.delaware.gov and visitdelaware.com, which the Marketing and Communications Unit manages. As a result of the campaigns, visitdelaware.com hosted 441,685 unique visitors during FY 08, a 14% increase over FY 07. In Spring 2007, we began tracking activity and results on dedo.delaware.gov using "Awstats," the same tracking mechanism we put in place on the tourism website in 2006. During FY 08, dedo.delaware.gov saw 127,458 unique visitors. Incidentally, after seeing the success DEDO's Marketing and Communications Unit was having with Awstats, the Delaware Department of Technology and Information (DTI) changed their tracking mechanism to Awstats and uses the same methodology throughout the entire State web system.

During FY 08, visitdelaware.com was awarded both a gold and silver Horizon Interactive Award, a prestigious international competition recognizing outstanding achievement among interactive media, as well as a 2007 WEBAWARD for outstanding achievement from the Web Marketing Association.

Additionally, the Northeastern Economic Developers Association recognized the Marketing and Communications Unit's work by awarding DEDO five awards during its annual awards dinner, which included a "Superior/Best in Class" award for a print ad showcasing the Port of Wilmington and an "Excellent" award for the newly redesigned dedo.delaware.gov website.

Media opportunities to promote and increase awareness about DEDO initiatives are one of the many focuses of the Marketing and Communications Unit. Earned media yielded a value of \$3.4 million during FY 08 with positive

coverage online, in broadcast, and in print, including Business Facilities magazine, Area Development magazine, WPVI-TV, the Philadelphia Inquirer, and numerous niche publications. In Spring 2008, the Marketing and Communications Unit welcomed 20 travel writers from around the country to join us in a birding familiarization tour, resulting in extensive coverage around the country featuring Delaware as a top destination for bird watching.

In January 2008, we received the results of our annual tourism advertising conversion study, with impressive returns. Our advertising efforts resulted in a conversion rate of 18.2:1 and tourism dollars spent per visit increased by 6% over the previous year. Visitors' average length of stay increased as well to 4.3 days, a 30% increase over the previous year.

In Winter 2008, DEDO's Marketing and Communications Unit convened a working group of tourism industry partners to address the decline in hotel occupancy rates. The result was the highly successful "First Night Free" promotional campaign which ran through Winter/Spring 2008. Participating hotels reported a range of 20 to 160 new room bookings attributed specifically to this promotion.

During FY 08, the Marketing and Communications Unit launched a new quarterly tourism e-newsletter to keep key stakeholders and the public abreast of all of the current activities related to Delaware tourism.

The Marketing and Communications Unit continued to work collaboratively throughout the year with every DEDO unit, from producing marketing collateral, to writing proposals and designing presentations, to producing events and developing external marketing campaigns. The Marketing and Communications Unit has begun executing the next phase of DEDO's comprehensive Marketing Plan.



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